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FedEx Simplifies Customs Clearance

Just In Time

A major rock band would have been whistling in the dark in Calgary's Pengrowth Saddledome if not for the persistence of FedEx Canada customs broker, Rob Wilms.

Wilms had sent an electronic request to Canada Customs to release the band's lighting equipment. Concerned by the extremely tight timeline, Wilms visited the depot, where customs officials allowed him to resubmit the request in person, which saved that evening's concert.

"This is not just a testament to our employees' eagerness to serve the customer," says Renate Jalbert, Managing Director of Global Trade Services for FedEx Canada. "It shows how our professional and respectful relationship with Canada Customs also serves our clients."

Always an industry leader in adapting technology, FedEx provided Canada Customs with the software capabilities to promptly receive and review its shipping data. The key to speed, says Jalbert, is separating that information flow from the package flow.

"When a package is shipped from Paris and the customer is using one of our automation devices or the Internet, we can instantly view that information here in Canada," says Jalbert. And it's not just information. The actual supporting documentation is imaged and available on the FedEx system, sometimes a day in advance. "We're able to contact the importer and the shipper and correct any discrepancies, and then prepare the filing for customs so that shipments are not delayed."

FedEx Canada is the only shipper that Canada Customs has authorized for "wheels up" clearance. This means that customs will perform a virtual inspection while a shipment is in mid-air. The officials trust that cargo under FedEx Canada's care is secure.

Another important edge is FedEx Canada's certification under the FAST (Free and Secure Trade) program, which brings the benefit of dedicated reporting lanes at the border and an expedited clearance process.

As the first integrated express carrier in Canada to qualify under the CSA (Customs Self Assessment) program, FedEx can help CSA-certified customers reduce paperwork and speed the crossing of pre-authorized shipments. FedEx is renowned for their speed, both in clearing customs and completing the delivery.

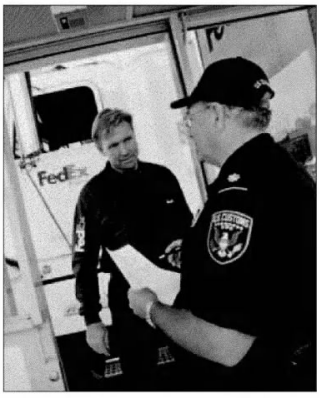
"We know what it takes to get goods across the border. And that expertise is more important than ever in today's security-conscious environment."

Renate Jalbert,
Managing Director
Global Trade Services
FedEx Canada

These cross-border advantages are even more critical since the terrorist attacks of Sept. 11, 2001, says Jalbert. Customs on both sides of the border are looking at getting as much advance information as possible, so they can make decisions about risk before a shipment arrives.

"We know what it takes to get goods across the border," says Jalbert "And that expertise is more important than ever in today's security-conscious environment."

For more information, visit fedex.ca.



FedEx Canada is certified under the FAST (Free and Secure Trade) program, which brings the benefit of dedicated reporting lanes at border crossings.

Shares of WestJet purchased as hedge

Calgary airline says foreign ownership of stock increasing

BY KEITH McARTHUR
TRANSPORTATION REPORTER

At least one of **Air Canada**'s foreign-based financial creditors has been buying stock in **WestJet Airlines Ltd.** to hedge against the possibility that the insolvent airline's restructuring could fail.

The tactic could be one of the factors that is pushing WestJet shares into foreign hands.

The Calgary-based discount airline disclosed yesterday that 21.3 per cent of its shares are now owned by non-Canadians — an increase of 4.3 percentage points since the end of August.

Large international hedge funds have been buying Air Canada bonds and bank debt, gambling that if the restructuring succeeds, their recovery will be higher than the price they paid for the debt.

In order to hedge against the possibility that the restructuring might fail, at least one fund has bought WestJet shares — based on the belief that if Air Canada were to liquidate, WestJet stock would soar.

Cameron Doerksen, an analyst with Dlouhy Merchant Group, said he wasn't aware that hedge funds are employing the strategy, but sees its logic.

"Both airlines would be exposed to the same industry factors. The play would be which airline is going to do better," Mr. Doerksen said.

Ben Cherniavsky, an analyst with Raymond James, said American investors also tend to be attracted to a stock that is rallying. WestJet's shares have risen 72 per cent since July 21.

"They tend to be more momentum driven. And they're more inclined to look at WestJet and see it as cheap when they look in their own backyards and see JetBlue [Airways Corp.] and Southwest [Airlines Co.] trading at higher multiples."

In October, Goldman Sachs analyst Michael Gruetzmacher initiated coverage of WestJet with a "buy." He said the airline represents the most compelling opportunity among low-cost carriers.

WestJet shares closed down 31 cents yesterday at $29.04 on the Toronto Stock Exchange.

Meanwhile, Air Canada shares fell 15 cents, or 13 per cent, to close at $1.04 on the Toronto Stock Exchange. Over the weekend, Air Canada released details of a deal with Hong Kong businessman Victor Li. The deal implies that 100 shares are worth less than 2 cents.

Mr. Cherniavsky said he can see why Air Canada bondholders would buy WestJet shares.

"The typical hedge would be to go long the bonds and short the stock, but you can't go short on the stock any more — no one would lend it to you."

Short selling is a risky strategy that involves gambling that a stock price will fall. Investors sell borrowed shares, with the intention of buying them back after the share price has fallen.

Other Air Canada creditors are hedging the stock in a different way.

One bondholder, who asked not to be named, said he bought put options that allow him to short sell shares in American Airlines parent AMR Corp. at a couple of dollars a share.

That would allow him to cover his loss in Air Canada debt if the industry collapsed because of an act of terrorism.

Mr. Cherniavsky said that if several hedge funds sell their WestJet shares after Air Canada emerges from bankruptcy protection, there could be some selling pressure on the stock.

"It's hard to say how much of the trading in the recent run-up has been a function of those kinds of [arbitrage] trades," he said.

"I just look at how much this thing has run in the last little while. It's fully capable of running the other way in the same period of time."

WestJet disclosed its foreign holdings yesterday because Canadian law prevents foreign investors from owning more than a 25-per-cent stake in a Canadian airline. WestJet has special procedures for non-Canadians wanting to buy the airline's shares.

ADRIAN WYLD/CANADIAN PRESS

WestJet says that 21.3 per cent of its shares are now owned by non-Canadians — up 4.3 percentage points since the end of August.

Ex-Jitec boss suing Quebec watchdog

Alleges QSC investigation was abusive

BY BERTRAND MAROTTE, MONTREAL

The disgraced former head of **Jitec Inc.** is suing the Quebec Securities Commission for $117-million, alleging the watchdog was abusive and reckless in the way it investigated his trading activities in company stock three years ago.

Lawyers for Benoît Laliberté allege in Quebec Superior Court filings that QSC officials acted abusively against him three years ago, saying he tried to artificially boost Jitec stock "purely because there was extreme pressure being exerted by [high-profile businessman and philanthropist Herbert] Black."

The filings allege that the QSC fell under the sway of Mr. Black, who Mr. Laliberté's lawyers say was intent on destroying hi-tech startup Jitec as part of his plan to reap millions of dollars by short-selling Jitec stock. (Short-selling involves borrowing stock and then selling it into the market with the hope of buying it back at a lower price, thereby profiting from the replacement of the borrowed shares.)

Mr. Black told reporters at the time that he shorted Jitec stock on only one occasion. He also said publicly that he brought Jitec to the attention of the QSC after becoming concerned over claims being made by the company about its technology and deals with other firms.

Mr. Black said in an interview yesterday that Mr. Laliberté's allegations are "total nonsense."

QSC spokeswoman Barbara Timmins said yesterday she cannot comment on the suit because it has not yet been reviewed.

She said the QSC's investigation into Mr. Laliberté's trading activities has been completed but no decision has been made on whether to act on the results of the probe.

None of the allegations have been proven in court.

Mr. Laliberté alleges that negative newspaper accounts three years ago about the QSC probe into his stock transactions, as well as a QSC trading ban against him on Nov. 10, 2000, before it heard any testimony from him, contributed to the massive loss in value of his once-high-flying Jitec stock and his forced resignation from the company he built.

Mr. Laliberté's suit against the QSC — filed late Monday — alleges that Mr. Black "unduly influenced" two QSC officials in particular: lead Jitec investigator Paul Trudeau and director of compliance Jean Lorrain. The court document cites the fact that the QSC fired Mr. Trudeau in August, 2002, after he admitted accepting a $1,000 gift from Mr. Black just before Christmas of 2000.

Mr. Black yesterday denied ever giving any money to Mr. Trudeau.

Mr. Trudeau was recently reinstated temporarily after he and his union appealed the firing, but the QSC is seeking to have the decision overturned.

Mr. Laliberté's court filing alleges that QSC officials knew or should have known that Mr. Black was actively short-selling Jitec shares and had an interest in generating as much negative publicity against Jitec as possible.

The filing alleges that Mr. Black turned against Mr. Laliberté after the latter refused to agree to another private sale of Jitec shares following an initial sale on Sept. 25, 2000.

"Due to [Mr. Laliberté's] refusal to acquiesce to Black's request to complete another private sale, the latter angrily responded by stating 'okay, you will regret this refusal . . .' " according to the court documents. The filings also allege Mr. Black called Mr. Laliberté at 10:30 p.m. on Dec. 8, 2000, "had a cordial conversation with him and declared that he controls Trudeau."

KKR to sell half its stake in Shoppers

Firm's holding will drop to 9.9 per cent

BY PAUL WALDIE

Kohlberg Kravis Roberts & Co. is selling half its stake in **Shoppers Drug Mart Corp.** for $566.5-million, according to a prospectus released yesterday.

The share sale by New York-based Kohlberg Kravis Roberts (KKR) is more than some analysts expected, and it will reduce the firm's holding in Shoppers to 9.9 per cent from 19.5 per cent.

Toronto-based Shoppers announced last week that a group of investors would sell 33 million company shares, plus an additional 4.95 million shares to cover overallotments, on a bought-deal basis. The shares are being sold at $28 apiece for a total of $1-billion.

Details of the sale, expected to close by Dec. 4, were provided yesterday in the prospectus. The document shows that KKR accounts for the bulk of the shares being sold.

KKR is selling 20.2 million shares, including overallotments. That will reduce its holding to 20.7 million from 41 million. Once underwriting fees are paid, KKR will pocket $543.8-million, or $26.88 a share.

Bain Capital Inc. and **DLJMB Overseas Partners** are selling 5.5 million shares each, including overallotments. That will lower their stakes to 2.7 per cent apiece from 5.3 per cent each.

'Clearly, institutional shareholders presently have an appetite for more stock in the company.'

The **Ontario Teachers Pension Plan Board** is selling three million shares, which will reduce its stake to 8.4 per cent from 9.8 per cent. **Charlesbank Capital Partners Inc.** is selling 3.7 million shares, including overallotments, to lower its holding to 1.8 per cent from 3.6 per cent.

The document also discloses that Shoppers has agreed to pay $500,000 worth of expenses associated with the share sale even though none of the proceeds will go to the company. And it shows that the underwriters will receive $42.5-million in fees, if the overallotments are filled as expected.

This is the third time in the past two years that the KKR-led group has reduced its holdings in Shoppers.

The group acquired Shoppers in 1999 from Imasco Ltd. for $2.55-billion, or about $5 a share, and took it public in 2001.

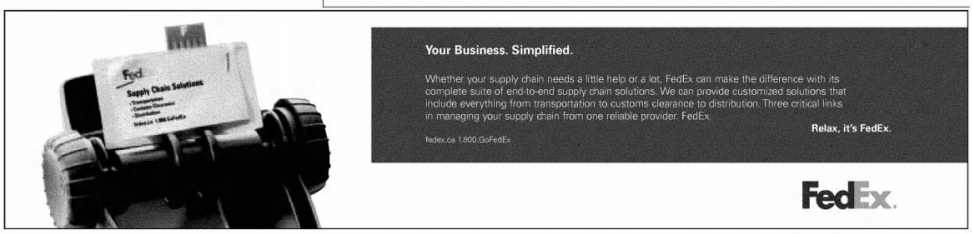
Jason Bilodeau, an analyst with UBS Securities Canada Inc., expects the group to continue selling off its stake.

"We continue to expect to see this group sell down its collective position over time in a systematic fashion," he said in a recent report. "While this is likely to create short-term bouts of weakness, we believe that over the longer run increased liquidity and a broader shareholder base [are] positive for a company that has a solid fundamental outlook."

George Hartman, an analyst at Dundee Securities Corp., agreed.

"This phased exit may signal that the ultimate disposition of the total share holdings may occur in this manner instead of a disposition to another drugstore retailer which may find the takeout price prohibitively high," he said in a recent report. "Clearly, institutional shareholders presently have an appetite for more stock in the company."

Shoppers shares closed unchanged at $27.99 yesterday on the Toronto Stock Exchange.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